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DEC 28 2009

CLERK
United States Bankruptcy Court
San Jose, California

[Signature]

Benyam and Paula R. Mulugeta
1025 Harker Ave.
Palo Alto, Ca. 94301
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Debtors in Possession

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In Re:)	Case No. 09-51900 ASW
)	
Benyam and Paula R. Mulugeta)	CHAPTER 11
)	STATUS REPORT
)	
Debtors)	Date: December 28, 2009
)	Place: 280 S. First Street
)	San Jose, CA 95113
)	
)	Judge: The Honorable A. Weissbrodt
-----)	

DEBTORS' STATUS REPORT IN SUPPORT OF DEBTORS' MOTION TO EXTEND TIME ON ORDER RE MOTION FOR RELIEF FROM AUTOMATIC STAY ("Harrison") AND MOTION TO SELL REAL PROPERTY ("Harrison")

Debtors, Benyam and Paula R. Mulugeta, pursuant to the Court's October 22, 2009 Order Continuing Hearing On Motion To Extend On Order RE Motion For Relief From Automatic Stay ("Harrison") and Motion To Sell Real Property ("Harrison").

I. Status of Matters Set Forth In Order

A.

The order required that Debtors and/or junior secured creditor Tomoko Nakama to pay Lone Oak Fund the amount of **\$30,000.00** on **November 10, 2009** and another **\$30,000.00** on **December 10, 2009**, or "Cure Period" both payments had been made to Lone Oak Fund through their council Mr. Simon Aron. **Note**, Debtors have been in real estate business the past 25 years, if "Harrison" is "under water" and did not maintain its value, and is not essential for debtor's reorganization plan Debtors would have been walked away from it rather than paying for example, the \$60,000.00 the past two months.

B. The order required that Debtors shall file and serve a status on or before December 28, 2009 to Lone Oak Fund counsel by email and U.S Mail.

C. On December 21, 2009 Mr. Daniel Woodard, of Woodard Construction had inspected the property for Lone Oak Fund. Debtors are requesting a copy of the report, in order to respond to the findings or items mentioned on the report.

D. The order required Debtors to file and serve a status statement detailing the status of related matter. The following statements address that requirement.



EXHIBIT II

LAW OFFICES
WOLF, RIFKIN, SHAPIRO, SCHULMAN & RABKIN, LLP

Simon Aron
Of Counsel

File No.
16343-016

saron@wrslawyers.com

March 16, 2009

EX PARTE NOTICE

Via Telecopier (650) 323-1143 & Overnight Delivery

Benyam Mulugeta
Paula R. Mulugeta
1025 Harker Avenue
Palo Alto, CA 94301

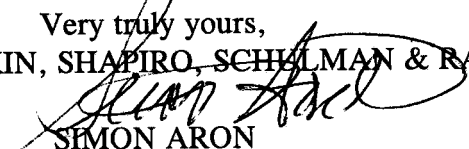
Re: Lone Oak Fund, LLC v Mulugeta, et al
Property Address: 2332 Harrison Street, Oakland, California

Dear Mr. & Ms. Mulugeta

Please be advised that this office represents the Lone Oak Fund, LLC ("Lender") in connection with the loan made to Benyam Mulugeta and Paula R. Mulugeta (referred to collectively as the "Borrower").

This letter is notice that on March 18, 2009, at 3:00 p.m. in Department 24 of the Alameda County Superior Court located at County Administration Building, 1221 Oak Street, Oakland, California 94612, Lender will be appearing in connection with an ex parte application for an order appointing receiver to take possession and control of the above-referenced property and for a temporary restraining order/preliminary injunction in connection therewith.

If you have any questions, please do not hesitate to contact me.

Very truly yours,
WOLF, RIFKIN, SHAPIRO, SCHULMAN & RABKIN, LLP

SIMON ARON

SA/sm

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EXHIBIT III

Dear Tomoko,

We spoke the other day regarding the sale of the Merritt Hotel located at 2332 Harrison Street Oakland, CA and Lone Oak Fund's \$3.5M 1st trust deed.

The Trustee's Sale will take place on March 26, 2009 at the Fallon Street entrance to the County Courthouse, 1225 Fallon Street, Oakland, CA in Alameda County. The starting bid is \$3,729,469.10

The 41,665 sq. ft. historic hotel has a restaurant-style kitchen and two large ballrooms that can be used for banquets. It is situated near Lake Merritt, a new Whole Foods market, and a breathtaking newly completed Catholic. The property could also be used as an educational facility, student housing, VA housing, drug rehab, assisted living, transitional care and short-term stay facility.

If you have any questions or would like to receive further information about this property, please feel free to contact me at the number below.

Thank you.

Deanna Danski

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Los Angeles, CA 90049
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Fax - 310.820.9145

COURT SERVICE LIST
CASE NO.: 09-51900 ASW

DEBTORS

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U.S. TRUSTEE

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Robert Taylor
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